

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: HEALTH CARE FINANCING ADMINISTRATION FILE COPY		1. TRANSMITTAL NUMBER: 00 - 005	2. STATE: Alaska
		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE: July 1, 2000	
5. TYPE OF PLAN MATERIAL (Check One): <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT			
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 447.250 - 447.252 and 42 CFR 447.256 - 447.272		7. FEDERAL BUDGET IMPACT: a. FFY <u>2000</u> \$ <u>0</u> b. FFY <u>2001</u> \$ <u>0</u>	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-D Page 4		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-D Page 4	
10. SUBJECT OF AMENDMENT: Updating of inflation factors			
11. GOVERNOR'S REVIEW (Check One): <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL <input checked="" type="checkbox"/> OTHER, AS SPECIFIED: Does not wish to comment			
12. SIGNATURE OF STATE AGENCY OFFICIAL: <i>Bob Labbe</i>		16. RETURN TO: Division of Medical Assistance P.O. Box 110660 Juneau, Alaska 99811-0660	
13. TYPED NAME: Bob Labbe			
14. TITLE: Director, Division of Medical Assistance			
15. DATE SUBMITTED: September 29, 2000			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED: OCT 3 2000		18. DATE APPROVED: MAY 16 2001	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: JUL 1 2000		20. SIGNATURE OF REGIONAL OFFICIAL: <i>TSI</i>	
21. TYPED NAME: <i>Teresa L. Trimble</i>		22. TITLE: ASSOCIATE REGIONAL DIVISION OF MEDICAL ASSISTANCE	
23. REMARKS: 9/29 Juneau (CITY/STATE)			

P&I changes authorized by the state on 5/22/01.

The allowable base year costs are adjusted for inflation. Inflation is calculated annually using projected inflation indices developed based on data available in May prior to the facility's fiscal year beginning.

Substantial amounts of different economic and inflationary data sources are utilized to arrive at the most accurate Alaska inflationary factor possible. National inflation projections and economic trends such as those published by Data Resources, Incorporated and ACCRA (cost of living index) are utilized. Regional inflationary data that the Department has available is given consideration during the evaluation of inflation rates to be set. In addition to the published economic and inflationary reports considered in the analysis, the Department also considers recommendations of the Medicaid Rate Advisory Commission in the development of the inflation factors. Inflation is projected on a compound rate over a three year period of time. Inflation forecasts are developed based on anticipated changes in inflation using a HCFA type market basket.

The calculation of the inflation factors applied to the long term care services is as follows:

1999	2.2%
2000	2.7%
2001	<u>2.6%</u>
Three year Total	7.7%

Compounding of inflation factors create a situation where the total is greater than the sum of three years inflation factors. The adjustment then allows the inflation factors to be used independently. This results in allowable increases of costs attributed to inflation between 1999 and 2001 of 7.7%.

IV. Determination of Payment Rates:

The prospective payment rate for long term care facilities is a single per diem rate with identified base capital and capital for acquisitions which are placed in service after the beginning of the base year and before the end of the rate year and for which an approved CON has been obtained, routine and ancillary components. Ancillary costs include physician ordered patient specific billable services such as medical supplies charged to patients, respiratory therapy, physical and occupational therapy. Allowable costs are necessary and ordinary operating expenses including capital and insurance costs.

The base year operating expenses less base year capital are inflated by the indices described in Section III. Principal payments on debt are not included in capital costs. Base year capital is tested for reasonableness by comparing projected changes in capital